

An organization formed to provide specific services to members of a given profession and to those preparing to enter the profession on matters relating to their practices does not qualify for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization formed and operated under the circumstances described below qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The organization was formed to advance a given profession, to contribute to the welfare and education of students preparing for that profession, to furnish financial aid to members by grants and loans, to provide a means for the expression of members' views, and to do other things for the benefit, welfare, and security of its members.

Nominal dues entitle members to receive the organization's publication and to participate in a variety of programs designed to aid them in completing their studies and setting up their practices. An emergency loan fund is provided which allows a member to borrow small amounts of money interest free for short periods. Additionally, a loan plan is sponsored in cooperation with commercial suppliers under which a member may borrow substantial sums for working capital and living expenses when beginning his practice. Under this plan the member can obtain office equipment at a discount. The organization also sponsors a variety of insurance programs, a hotel-motel discount plan, and a car leasing plan for members.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues and similar organizations, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

The emergency loan plan, insurance plans, practice loan plan, hotel discounts, and car leasing plan serve primarily as a convenience and economy to members in providing financial aid in completing their professional studies and establishing themselves in practice, and are, therefore, the performance of particular services to members as opposed to improvement of a line of

business. Accordingly, the organization does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.